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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

NEW METHODS OF MANAGEMENT, PLANNING DESCRIBED

Moscow EKONOMICHESKAYA GAZETA in Russian No 29, Jul 81 p 8

Article: "The New Management Methods in Action"

Text The decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" was published 2 years ago. The editorial board of EKONOMICHESKAYA GAZETA has asked workers of USSR Gosplan, the USSR Ministry of Finance, the USSR State Committee for Labor and Social Problems and the USSR State Committee for Prices to tell what has been done on the adoption of the new management methods and how the new plan indicators are being used in drawing up the draft of the plan of the 11th Five-Year Plan. We are publishing the responses to the questions of the editorial board.

On the Basis of Material Balances

"In the decree of the CPSU Central Committee and the USSR Council of Ministers much attention is devoted to questions of the balance of the plans of production with material and technical resources. How is this problem being solved?"

O. D. Gotsiridze, deputy chief of the Consolidated Department of Material Balances of USSR Gosplan, responds:

Material balances for a list of 409 types of products have been drawn up by USSR Gosplan within the five-year plan for 1981-1985. For 331 types of products balances are being compiled along with plans of distribution among the main holders of capital by years of the five-year plan. By the way, within the 10th Five-Year Plan only the accounting balances for 234 types of products were drawn up and approved, while plans of distribution were not drafted. The number of main holders of capital subject to the types of products will be from 4 to 30. Altogether they will consume 75-85 percent of all the resources.

For the development of long-term economic ties the holders of capital, to whom capital will not be allocated within the five-year plan, will conclude contracts on the basis of the base year. The specification of the contracts in the case of long-term economic ties will be carried out by all holders of capital after the approval of the annual plans.

Balances of material resources and plans of their distribution for 2,044 types of products are being drawn up within the annual plans.

In turn, USSR Gosnab and its organs are drawing up balances of material resources and plans of their distribution for a long-term period--up to 1990--for the 28 most important types of products and balances and plans of distribution for 288 types of products for the 11th Five-Year Plan; in the annual plans balances and plans of distribution are being compiled for more than 12,000 descriptions of products.

The list of products, in accordance with which USSR ministries and departments and the union republics will draw up and approve material balances and plans of distribution, has been examined and made more precise. It will cover more than 2,500 types of industrial products.

At present centralized calculations of the need for material resources for the output of industrial products are being made at the Main Computer Center of USSR Gosplan. Calculations are being made for 80 USSR ministries and departments, as well as for the union republics, 19 sectors and the directions of their use. These calculations cover 20 types of material resources on the basis of a unified list of products and types of operations, which contains more than 10,000 items.

The plans of the distribution of material and technical resources are being compiled using computers. Calculations are being made for more than 1,600 types of material and technical resources.

The system of overall progressive technical and economic norms and standards should serve as the basis for the drafting of both five-year and annual balanced plans. The decree of the CPSU Central Committee and the USSR Council of Ministers on the stepping up of the work on the economy and efficient use of all types of resources directs our attention to this.

USSR Gosplan is establishing within the annual and five-year plans assignments on the average decrease of the rates of consumption and the economy of the most important types of material and technical resources with a breakdown by USSR ministries and departments and councils of ministers of the union republics. Assignments are being established on the overall specific consumption of metal, the decrease of the metal content of specific most important types of items in physical terms and the increase of the utilization ratio of metal. Plan assignments have also been established for the procurement and processing of secondary resources. Assignments on the production and delivery of the necessary technological equipment for these purposes are envisaged. The section "The Use of Secondary Resources" has been introduced in the State Plan of USSR Economic and Social Development. A list of 29 types of secondary resources has already been included in the plan for 1981. The Department for the Use of Secondary Resources has been set up in USSR Gosplan, while the Administration of Supply and Intersectorial Relations for Secondary Resources has been set up in USSR Gosnab.

A Reliable Guarantee for Contracts

"Along the measures on the improvement of the economic mechanism an important role is being assigned to the increase of the responsibility for the meeting of contractual obligations between suppliers and consumers. What has been done in this direction?"

V. V. Il'in, chief of a subdepartment of the Department for the Improvement of Planning and Economic Stimulation of USSR Gosplan, responds:

At present the evaluation of the results of the economic activity of the production associations (enterprises) of industry, as well as their economic stimulation are carried out on the basis of the fulfillment of the assignments and obligations on deliveries of products. This increased significantly the level of fulfillment of the plan of deliveries.

Increase of the Volume of Deliveries Through Direct Ties
(billions of rubles)

<u>1978</u>	<u>1979</u>	<u>1980</u>
30.0	40.3	42.1

The prevailing procedure of stimulating the fulfillment of the plan of deliveries is also playing a positive role. The analysis of the work of industry in 1979-1981 shows that the number of enterprises not fulfilling the contracts is decreasing appreciably.

However, substantial shortcomings have also been identified. Some ministries established for subordinate enterprises preferential "limits" of the nonfulfillment of the assignments on deliveries, on the basis of which the stimulation of managerial personnel is carried out. This pertains first of all to the ministries of chemical and petrochemical, as well as heavy and transport machine building and the electrical equipment industry.

A check made at the enterprises of the Moldavian SSR Ministry of Light Industry established that the maximum percentage of the nonfulfillment of the plan of deliveries of consumer goods is specified for the enterprises of the sector without adequate grounds. The USSR Ministry of Light Industry has performed some work on making the maximum percentage more strict, but it is necessary to continue it. In 1980 the enterprises of light industry provided goods worth nearly 2.5 billion rubles less than stipulated by contracts and orders. But this figure was covered by the output of unordered items. The plan on the total volume of sales by the enterprises of the sector was fulfilled by 101.4 percent.

The enterprises of the Ministry of the Electrical Equipment Industry fulfilled the plan on the volume of sales of products by 101.6 percent, but underproduced products in accordance with orders and contracts by 3.9 percent.

At the same time it is necessary to note that many industrial enterprises, as a rule, during the planned period fill the orders of consumers. They are the Moscow ATE-1 Plant, the Second Watch Plant, the Leningrad Svetlana and Optical-Mechanical Associations, the tractor building enterprises of Minsk and Vladimir. The Moscow ZIL Association receives practically no reproaches from consumers.

For the purpose of further increasing delivery discipline USSR Gosplan, USSR Gosnab, the USSR Ministry of Finance, the USSR State Committee for Labor and Social Problems, the USSR Central Statistical Administration and the AUCCTU with allowance made for the gained experience are calling for the introduction of additional measures to make more strict the procedure of the formation of the material incentive

fund and the payment of bonuses when assignments and obligations are not fulfilled. Thus, ministries and departments will be granted the right to set for enterprises the maximum percentage (degree) of nonfulfillment of the assignments and obligations on deliveries of products in an amount which does not exceed, as a rule, 2 percent.

In case of the complete or partial making up during subsequent quarters of the insufficient deliveries of products, which were allowed during the preceding period, up to 50 percent of the amount, by which the fund was reduced in connection with the insufficient delivery of products on time in conformity with concluded contracts (orders), can be paid into the material incentive fund. At present, as is known, the entire amount is returned. This will promote the tightening up of delivery discipline.

Finances and Efficiency

"What has been done to enhance the role of financial planning?"

V. P. Ignatushkin, chief of the Department of New Methods of Planning and Economic Stimulation of the USSR Ministry of Finance, responds:

In 2 years enforceable enactments have been prepared and adopted, on the basis of which the reorganization of financial relations in the country is being carried out gradually.

The industrial and construction ministries have performed much work on the compilation of income and expenditure balances for 1981-1985, which have been submitted to the USSR Ministry of Finance with the necessary calculations and substantiations.

At present the standard method of the distribution of the profit is being used in seven machine building ministries (the Ministry of Heavy and Transport Machine Building, the Ministry of Construction, Road and Municipal Machine Building, the Ministry of Tractor and Agricultural Machine Building, the Ministry of the Electrical Equipment Industry, the Ministry of Instrument Making, Automation Equipment and Control Systems, the Ministry of Machine Building for Animal Husbandry and Fodder Production and the Ministry of Power Machine Building), as well as in construction--the Belorussian SSR Ministry of Industrial Construction, the Belorussian SSR Ministry of Installation and Special Construction Work and the Ukrainian SSR Ministry of Construction of Heavy Industry Enterprises. The operation under the new conditions of the Uzbek SSR, Azerbaijan SSR and Estonian SSR Ministries of the Meat and Dairy Industry and a number of other sectors is envisaged this year.

The process of reorganizing the system of the distribution of the profit is occurring at the middle and primary levels of management. Thus, in the Ministry of Tractor and Agricultural Machine Building all the all-union industrial associations and more than 90 percent of the enterprises are working under the new conditions.

The changeover to the cost accounting system of the organization of work on the development, assimilation and introduction of new equipment on the basis of supply orders (contracts) has practically been completed.

Financial levers are influencing to a greater and greater extent the increase of the output of products with the Seal of Quality. At the same time an economic barrier to the output of products to be removed from production has been created.

Among the set of measures on the increase of the role and importance of finances and financial relations an important role is assigned to the elaboration of economically sound standards of working capital. This exceptionally complicated work is now being performed in all the ministries and departments.

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INVESTMENT, PRICES, BUDGET AND FINANCE

EVALUATION OF DEVELOPMENT OF SHORT-TERM CREDIT OUTLINED

Moscow DEN'GI I KREDIT in Russian No 8, Aug 81 pp 28-34

Article by Candidates of Economic Sciences O. L. Rogova and L. F. Moiseyeva: "On Quantitative Assessments of the Development of Short-Term Credit"

Text The economics of mature socialism place in the category of primary requirements the requirement of balanced growth in all spheres of socialist expanded reproduction. A special role in the solution of these problems belongs to bank credit as an important economic tool which is called upon to promote the adherence to the commodity-money and financial proportions. Both the role of credit in the process of the functioning of the economy and the effectiveness of its use depend on how completely the laws are taken into account when compiling national economic plans and how precisely the limits of credit are established.

The different aspects of the change of credit are characterized by the wide range of its relations with the development of production and the formation of monetary resources, the needs of the entire money turnover for a specific amount of monetary assets and other economic phenomena. On this basis different procedural approaches to the assessment of the development of credit are arising, each of which is based mainly on the examination of its individual aspects. The indicators of the growth rate of credit investments, the rate of turnover, the amount of credit per ruble of commodity (or gross) production, the share of working capital in the structure of financial sources and other characteristics are used. Each such assessment, taken separately from the entire set of indicators, characterizes only one of the manifestations of an integral process and therefore does not give a realistic idea about it. The complexity of the lending process and the multi-aspectual nature of its relations complicate the possibilities of identifying the objective nature of the change of credit and the development of an unambiguous criterion of its increase. The need is emerging for a description of the process on the basis of an entire series of quantitative assessments.

In the article an attempt is made to systematize the indicators which characterize the different aspects of the lending process, to determine the place of each indicator in the overall system of assessments and to provide a quantitative interpretation of the necessary increase of credit.

The problem of developing a criterion of growth first of all requires the study of lending as viewed from its fundamentally inherent relations with the dynamics of the value of the total national product and with money circulation as the sphere

which reflects its main proportions. In this connection the system of assessments, which generalizes all the possible informational characteristics of lending, should also contain the specific requirements of commodity-money circulation and the conditions of its objective development, as well as should ensure the development of a criterion of the increase of credit.

The problem of quantitative measurement takes on a different economic meaning subject to the level of the economic structure, at which the processes of lending and money circulation are examined: for the national economy as a whole, the main links of the economic system (the sectors of the sphere of physical production, the sectors of the nonproductive sphere, the budget, the population), the primary economic units (the enterprise, the association). The need for monetary resources in general and for borrowed bank capital in particular forms at the level of the primary links. The demand of the entire national economy for credit is the integration of the demand of the primary links. The total actual amount of credit liability functions as the realization of the need for borrowed bank capital. In this connection for the national economy as a whole it may be a question of the correspondence between the actually formed amount of credit investments and their economically sound amount.

It is obvious that each of the quantitative assessments of the development of lending characterizes to a greater or lesser extent as compared with the others the laws of the change of the process. Among them a special place is held by the assessments which in concentrated form are economically sound limits of the change of the process. Let us call these assessments criterional assessments. Apparently, the direct representation of the criterion involves the quantitative interpretation of the theoretical requirements with regard to the necessary quantitative limitation of lending, since only the statistical laws appear in the factual information.

From this standpoint the criterion, as a form of expression of the economic purpose of the process, is unequivocally a quantitative specification of the most essential property of lending as a mechanism which ensures the continuity of the movement of value by the satisfaction of the objective requirements of money circulation. Since the economic purpose of credit is realized in each of the quantitative assessments, a single set of all the existing characteristics of the state of the process should correspond to a single value of the criterion.

The system of assessments is called upon to represent as a whole the process for similar groups of relations and to contain the most capacious informational indicators. From this standpoint the peculiarities of the development of lending and money circulation (as processes which are relatively independent and at the same time are dependent on the dynamics of the national product) determine the two main aspects of the study: the so-called autonomous and external relations. The economic importance of the distinction of the aspect of autonomous relations consists in the formation of an idea about the nature of the actual development by means of the study of the logic of the change of the process, the interrelationship of its structural characteristics.

The isolated study of each of the processes is necessary only for the purposes of establishing the specific nature of the increase, as a stage of the overall analysis.

The quantitative assessments of the degree of objectivity of the increase of lending and money circulation are outside the bounds of the analysis of credit and

money as autonomous phenomena when examining the processes in interaction with the dynamics of the value of the national product. The study of lending and money circulation in connection with the dynamics of the value of the national product is arbitrarily assigned to the aspect of external relations.

The distinction of the two aspects in the study of lending has the result that for the given process the principle of balance as a necessary condition of economic growth appears in two ways: in the internal balance of credit investments and monetary assets and in the external balance--the conformity of the increase of the indicators of the monetary sphere as a whole to the change of the commodity circulation.

The two aspects of the study also determine the corresponding groups of quantitative indicators. The system of quantitative assessments, in addition to the aspects of the analysis, takes into account the multistage nature of real economic relations and reflects the level of the establishment of the main national economic proportions and the process for the main economic links.

Each aspect and each national economic level of the study of credit are characterized by the specificity of the quantitative assessment of development and by a different decree of concretization of the structural proportions. The transition during the analysis of lending from one level to another leads to the transformation of the overall assessments of growth into a unique subsystem which is peculiar to this level.

Thus, the aspects of the study and the levels of the national economic structure form the system of assessments and determine the functional purpose of each of them--the degree of reflection of the economically necessary development of the process.

The autonomous characteristics of growth reflect the aggregate influence of a large number of factors on the development of this process. They will contain both the factors which determine the objective, natural growth of credit and money and factors of a random nature, which form the deviation from the necessary trend. The assessments of lending and money circulation, which characterize the time trend of the increase of credit investments and monetary assets, the credit and money turnovers, the rate of circulation of money and credit, as well as the changes of the structural indicators of the processes with respect to individual participants and types of assets, are assigned to the group of autonomous characteristics. The description of the growth by means of the methods of regression analysis, which make it possible to interpret mathematically the nature of development, is the most general one. For example, it is possible to derive an equation which approximates the trend of change, the parameters of which make it possible to make judgments about the specific nature and the stability of the increase of the indicators of the credit and monetary sphere.

The role of autonomous assessments, consequently, consists in the fact that in their aggregate they characterize the intensity and scale of the increase of lending and money circulation, without revealing, however, the economic objectivity of their development.

In existing planning practice autonomous assessments of the development of lending and money circulation are used more extensively when compiling the credit plan.

Let us examine further the second group of quantitative indicators of short-term lending--the so-called comparative assessments. They are more significant for the characterization of the process being studied than the autonomous assessments are, since they reflect the interaction of lending and money circulation, as a single process, with the dynamics of the value of the national product. The interaction of credit with the dynamics of value appears in different economic situations. Among them it is possible to see two areas: the first is the area of credit and financial relations at all levels of the national economic structure, the second is the area of the establishment of the overall commodity-money proportions. In the first case specific spheres of money relations, which are formed simultaneously, are examined: 1) the formation of the need of the national economy for monetary resources (financial sources) and borrowed capital in particular; 2) the involvement of credit in the assurance of the balanced change of the revenue-expenditure structures of the economic links.

The assessments of the development of credit in the first case reflect the realization of the very mechanism of lending, the effect of which appears here in the interrelations of the primary economic links with the State Bank (as the only emission, clearing and credit center of the country) and with the financial system with regard to the formation of the monetary sources of working capital and the meeting of the necessary outlays connected with all the production activity of the economic units. The assessments of "participation," in reflecting a specific aspect of the relations of credit with the development of the national economy, occupy an important place in the entire system of assessments of the development of lending. They are used extensively for analytic purposes and in the planning of credit. Their importance is determined first of all by the fact that they characterize credit relations, beginning with the source--the emergence of the need of the primary economic links for borrowed capital, and ending with the formation of the total amount of credit investments in the national economy.

At the level of the primary production units, where the need for borrowed bank capital arises, the demand for credit is formed subject to the financial status of the enterprise, under the conditions of the increase of the overall need for monetary assets (both internal and borrowed). This determines the dependence of the demand for credit on the peculiarities of the changes of the overall amount and the physical structure of working capital, cash and disposable stocks and a number of other factors which have an effect as viewed from production. Moreover, each of the sources (and borrowed capital in particular) is characterized by the specific nature of the sphere of its own functioning and at the same time depends not only on the formation of the need of the economy for the overall amount of working capital, but also on the amounts of the individual financial sources. Thus, the determination of the need for borrowed bank capital is connected with the specific nature of the increase of credit investments under the conditions of the change of the entire structure of the financial sources and the amount of working capital.

The formation of the individual financial sources, as is known, takes place subject to the change of the specific components of the working capital. The relationship of the process of short-term lending, which stems from the nature of credit, with the stage of the realization of the value (which is represented quantitatively by the magnitude of the created, but not yet realized product) at the level of the establishment of the overall proportions appears specifically in the ratio of the amounts of credit investments and reserve commodity stocks. Let us assume that in

the structure of the working capital the amount of reserve commodity stocks is interpreted as the total of goods, finished products and shipped goods. The internal capital and capital equated with it of economic organs as a constant amount which is established by plan should apparently serve as the source of the formation of physical assets for production purposes. The simultaneity of the emergence and the coincidence of the economic essence of accounts receivable and accounts payable can be the basis for the joint analysis of these structural characteristics of working capital.

The comparison of working capital and financial sources is made with respect to the attribute of the economically necessary conformity of the components of these two structures. In reality these relations do not appear in obvious form at the level of the individual primary units. They are concealed by its real manifestation of credit and financial relations.

Here it is important to note that the lending mechanism is oriented mainly toward the realization of repayment and at this level toward the relationship of the types of credit with different physical objects and only among them with the reserve commodity stocks of the sphere of circulation. At the same time the extension of credit against an object, while reflecting the dynamics of value at all the stages of the reproduction process, will not include the complete guarantee of the return of the money on time, since it is not directly connected with the final stage of the creation of a product—its realization. Therefore, the assessments of lending, which are based on its relations with the objects, do not adequately reflect the objectivity of the development of the process. Moreover, the peculiarities of the conditions of the formation of the need for borrowed capital—its origination at the level of the primary units—increase to an even greater extent the unobjectiveness of the overall amount of credit investments. As a result the total amount of the demand for credit by sectors or the national economy as a whole from the point of view of its conformity to the objective value proportions of the development of the economy will contain considerable uncertainty.

Being composed of the amounts of the demand of specific national economic units, its total amount may differ to one extent or another with the requirement of the proportionate functioning of the marketable goods and monetary assets. While reflecting the interests of individual economic organs, the need of the national economy for borrowed capital at the same time does not take into account the coordination of these interests from the standpoint of the assets needed by the money turnover as a whole.

Thus, the study of credit in the structure of financial sources lead us to the conclusion that the indicator of the share of credit in the working capital, being a quantitative assessment of the realization of the need, in itself is not of a criterional nature. The amount of the demand for borrowed capital, which is determined from this point of view, can be used for the analysis of the specific nature of the formation of the structure of the financial sources of the primary economic units and sectors of the national economy.

In addition to the examined indicators of the need for credits, the indicators of the share of credit in the formation of the total amount of monetary resources are distinguished in the group of comparative assessments. These assessments, being one of the structural characteristics of the monetary revenue (and expenditures) of economic subjects, in the end are reflected by the corresponding increases of the

monetary assets and credit investments. The distinction of a subsystem of such assessments stems from the need to study the role of credit and money in the balancing of the formation and realization of the revenue of economic subjects.

The change of the amounts of monetary assets and credit investments with respect to the individual sections and the entire system as a whole can reflect the influence of the disproportions between the monetary assets and their material backing. In such a case each of the amounts--the increase of the monetary assets and credit investments--will consist essentially of two parts, one of which has an objective basis of its own development, while the formation of the other stems from the violations of the requirements of proportionate growth. As a result, the components of the total amounts of money and credit, which are connected with the upsetting of the proportionality, in fact can function as elements which balance the aggregate monetary revenue and expenditures. The dual role of the structure of each of the amounts has the result that the statistical equality of the revenue and expenditures can act as a formal balance and can conceal the disturbance of the necessary conformity between the increase of the physical assets in value terms and the monetary assets.

The disturbance in the individual links of the necessary conformity between the monetary revenue and its material backing for a while might not appear at the level of the entire system, since the shortage of assets of some links can be covered by their surplus in other links. But in the end this phenomenon will certainly have an adverse effect on the working of the entire mechanism of the functioning of the economic system and the formation of the overall national economic proportions.

Here it should be taken into account that the formal balance of revenue and expenditures is connected with the peculiarity of the role of the credit system in the functioning of the national economy. The purpose of the credit mechanism is to promote the realization of the complete, content proportionality of the economic turnover. But at the same time lending, owing to its particular nature, is the only channel of the entry of money into the turnover. Here not only the necessary need of the money turnover for capital, but also the demand for money in excess of the economically governed limits, which is connected with the excess of the expenditures as compared with the really created value, can be met. Then the total amount of credit investments, in addition to the objectively governed amount, can contain that portion of the investments, the return of which is not ensured on the set dates and which at the same time will correspond to the formation of surplus monetary assets, which are one of the elements of the structure of the expenditures of the subjects of the system of the national economy.

Hence it follows that the assessments of the growth of credit investments from the standpoint of their involvement in the backing of the increasing expenditures of the individual participants and the economy as a whole provide important information with respect to the role of the credit mechanism in the achievement of balanced economic development. But they, like the assessments of the share of credit in the formation of the sources of working capital, reflect in essence the result of the imposition of the necessary credit policy and the actually formed opportunities of its implementation, which stem from the degree of coordination of the interaction of all the links of the economic system.

It can be seen that quantitative assessments, which determine the economic limits of the growth of credit investments, are not contained in the existing reporting information on lending.

The criterion of the development of credit is formulated only on the basis of the interpretation of the theoretical assumptions about the limits of its change, which are connected with the dynamics of the value of the national product and, in the end, with the establishment of the necessary commodity-money proportions. In such a case the assessments of the degree of conformity of the growth of credit investments (as the result of the development of the process of lending according to all its parameters) to the economically sound needs of commodity-money circulation as the sphere directly reflecting the objective requirements of the process of the creation, distribution and use of the value of the national product acquire the special property to function as criteria. This approach in essence reflects the well-known assumption about the necessary dependence of credit investments on that portion of the credit resources, the formation of which meets the requirements of the dynamics of the value of the national product--the formation in the turnover of the necessary amount of monetary assets. Here the problem arises of defining the qualitative aspect of the formation of the actual amounts of credit resources, of establishing the amount which reflects the objectively necessary amount of monetary assets (in the functions of the means of circulation, payment and accumulation) and the amount which was formed as a result of the appearance of disproportions in the development of commodity-money circulation. The center of the problem of determining the economic limits of the growth of credit is shifted specifically to the determination of the objective trend of the growth of monetary assets, which is strictly governed by the requirements of the dynamics of value, particularly the laws of the formation and realization of the revenue of the main national economic links.

The assessments reflecting the economically governed relations of lending with the law of money circulation and, consequently, the assessments of the dependence of money circulation on commodity circulation act specifically as criterional assessments. This is manifested with respect to the main characteristics of these phenomenal turnovers, surpluses, the turnover velocity.

For the purposes of quantitative interpretation let us express in the most general formulas the relations between the circulation of goods and money, as well as the process of lending. Let us use the following symbols: the turnover of goods with respect to the value of the created product is T_t^V , the reserve commodity stocks is T_{st} , their increase is ΔT_{st} , the turnover rate is T_t^0 . For the money circulation and lending we have respectively:

$$D_{st}^V, D_{st}, \Delta D_{st}, D_t^0;$$

$$K_t^V, K_{st}, \Delta K_{st}, K_t^0.$$

At the level of the establishment of the commodity-money proportions for the national economy as a whole the relations between the main characteristics of the money and commodity circulation, according to the law of money circulation formulated by K. Marx, is expressed by a formula which in our symbols assumes the form:

$$D_{st}^V = \frac{T_t^V}{D_t^0}, \text{ or } D_{st} \cdot D_t^0 = T_t^V.$$

The expression $D_{st} \cdot D_t^0$ is the volume of the money turnover which is directly connected with the commodity turnover. This dependence in essence reflects the objective limits of the growth of the money turnover. Here it should be recalled that the portion of the turnover, which mediates the distributive relations (stage D-D), just as the main portion, which is directly connected with the realization of the commodity (stage D-T), depends on the value of the created product.

If we represent the volume of the commodity turnover T_t^V in the form of the product of the average annual stocks and the rate of their turnover, namely

$$T_t^V = T_{st} \cdot T_t^0,$$

then the amount of monetary assets can be expressed as

$$D_{st} = T_{st} \cdot \frac{T_t^0}{D_t^0}.$$

Here the ratio of the values of the rate of circulation of commodities and money functions as the coefficient of the relationship between the reserve commodity stocks and the money stocks. Being an important economic characteristic of commodity-money circulation, this coefficient can be determined on the basis of the economic hypotheses being advanced concerning the development and role of commodity-money relations in the functioning of the socialist economy at the individual stages of its development. The statistical value of this coefficient is very stable in dynamics, which can also be taken into account when determining the relationship between the growth of the commodity and money turnovers.

The equation $D_{st} = T_{st}$ is used as an expression of the objective limits of the change of the money circulation and, consequently, lending. Here it should be emphasized that the satisfaction of the equation should not be understood as a strict requirement which is realized at each moment of time. In a dynamic economy this equation is an assessment of the overall trend of growth of these values, the aspiration for which has a positive influence on the adherence to the commodity-money proportions. It should be borne in mind that the criterion of the growth of credit at the level of the dynamics of individual loans and loan receivers does not appear in an obvious form. Here it is modified into the requirement of the observance of the principles of lending.

Let us examine further the most general case, which corresponds to the achievement of the balanced growth of the reserve commodity stocks and the money stocks for the national economy as a whole, as the resultants of the money and commodity circulation.

Let us represent the increases of the money stocks and the reserve commodity stocks as elements of the structures of the corresponding turnovers:

$$\Delta D_{st} = a_t^S \cdot D_t^V,$$

$$\Delta T_{st} = a_t^T \cdot T_t^V,$$

where a_t^g and a_t^T are coefficients which reflect respectively the proportions of the unrealized portions of the money and commodity turnovers during year t . The equality between the values ΔD_{gt} and ΔT_{gt} as a general case acquires the form

$$a_t^g \cdot D_t^V = a_t^T \cdot T_t^V,$$

from which

$$D_t^V = \frac{a_t^T}{a_t^g} \cdot T_t^V.$$

Given some statistical ratio of the values $D_t^V \geq T_t^V$ it is legitimate that the coefficient $(a_t^T/a_t^g) \geq 1$, or $a_t^g \leq a_t^T$.

The proportion of the increase of monetary assets--the coefficient a_t^g --is an objectively stable value, since the increase of the need of the turnover for monetary assets also governs the increase of the volume of the entire money turnover. The same regularity also occurs in the change of the proportion of the increase of the reserve commodity stocks--the coefficient a_t^T . Consequently, the change of the parameter (a_t^T/a_t^g) is very stable, which can serve as grounds for the use of this value as a standard when forecasting the money turnover subject to the assigned value of the turnover of goods. The stability characteristic of the indicator (a_t^T/a_t^g) also determines the demands on the stability of the ratio between the increase of the commodity and money turnovers. A divergence in the trends of the growth of these values will attest to the disturbance of the objective proportions of their change, particularly the economically unjustified increase of the total volume of the money circulation. The determination of the necessary increase of monetary assets, on the basis of the assigned parameters of the development of the commodity circulation, is the starting point when establishing quantitative limits of the growth of credit according to its main parameters: the amounts of the turnovers, indebtedness and rate.

The a priori specification of the economically governed structure of the money turnover, which is based on the natural relations of the formation of the revenue and expenditures of national economic subjects with the dynamics of the value of the national product, is a necessary condition of the assessment of the objectivity of the growth of monetary assets and accordingly of credit investments.

Thus, the requirement of the proportionate development of the national economy is realized in the unequivocally specified, objective relationships between the characteristics of lending and the commodity-money circulation. Here the necessary increases of money, credit and goods, as the end results of economic development over an interval of time, are achieved in the case of specific values of the corresponding interconnected turnovers and their structures. The criterional assessments of the development of credit are interpreted in the real indicators of the functioning of credit investments in the structure of all its economic relations, thus representing the process for the entire system of its quantitative assessments.

Schematically the relationship between the different types of assessments is represented in the following table.

Interrelationship of the Quantitative Assessments of Lending

Links of hierarchical structure	Assessments	Autonomous	Comparative			
			criterional	in structure of financial sources	balance	
			1	2	3	4
Primary links	1	a_{11}^1			a_{13}^3	a_{14}^4
Main links	2	a_{21}			a_{23}	a_{24}
National economy as a whole	3	a_{31}	a_{32}	a_{33}	a_{34}	

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graph TD
    a11[a11] --> a21[a21]
    a21 --> a31[a31]
    a31 --> a32[a32]
    a32 --> a33[a33]
    a33 --> a34[a34]
    a11 -.-> a33
    a21 -.-> a33
    a32 -.-> a34
  
```

The assessment of the objectivity of the process (line 3, column 2) is here the decisive assessment, which establishes the amount of credit as one of the sources of the formation of working capital for the national economy as a whole (line 3, column 3) and further for all the structural links (a_{23} , a_{13}). In other words, given the desired amount of the grand total of working capital and the corresponding objective amount of the credit investments the necessary demand for internal and other sources is determined; thereby such a structure of financial sources of working capital is formed, the realization of which will meet the requirements of the establishment of the necessary commodity-money proportions. Moreover, the objective amount of credit defines quantitatively its share in the formation of the overall monetary receipts for the entire economic system (a_{34}) and each structural link (a_{24} , a_{14}). It is necessary to bear in mind the possibility of a transition from the assigned amount of credit investments to the amounts of issuances and repayment in the case of a standardized rate of movement of credit (with allowance made for the peculiarities of the dynamics of value with respect to the individual links of the economy).

The relationship of the criterional assessments of credit with the indicators which characterize the growth of lending, as a relatively independent process (a_{31} , a_{21} , a_{11}), makes it possible to distinguish the objective trend of the development of credit and to determine the possible deviations during the period being studied. Here it is important to emphasize once again that the credit indebtedness, which in the end is formed under the influence of commodity circulation, should have the same direction as the trend of the value of the national product with respect to all the main parameters (the turnovers, the rate of movement and the amount of stocks). A time lag of change and a substantial influence of the achieved level are characteristic of the process of the creation of value. In this connection the non-uniformity of the development of lending (if it alone is not a result of the change in the procedure of lending and the organization of settlements) is economically justified only insofar as this is dictated by the intensity of the creation of value.

Each group of assessments can have a specific realization and a unique methodological solution and can serve as the basis for the elaboration of the corresponding subsystems which describe individual phases of the process. The systematization

of assessments is regarded as a necessary stage of the content analysis of lending and the improvement of the methods of planning by the construction of a system of models of the development of lending and commodity-money circulation for the intermediate-term and long-term future.

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INVESTMENT, PRICES, BUDGET AND FINANCE

CAPITAL INVESTMENTS FOR RENOVATION

Moscow DEN'GI I KREDIT in Russian No 8, Aug 81 pp 34-38

Article by Candidate of Economic Sciences V. Ya. Ionov: "The Effectiveness of the Use of Capital Investments for Renovation"

Text The increase of the level of management and planning and the improvement of financing and lending are increasing the need for the scientific elaboration of a number of urgent economic problems and questions. One of these questions is, in our opinion, the determination of the effectiveness of the use of productive capital and capital investments. For the determination of the cost effectiveness of the capital investments being allocated for the retooling, renovation, expansion or new construction of industrial enterprises, as well as for the introduction of new equipment, the mechanization and automation of production processes, the modernization of equipment and so on, at the level of enterprises (associations) it is recommended to use such indicators as the ratio of the increase of the net output to the capital investments responsible for this increase; the adjusted expenditures; the coefficient of the comparative effectiveness of capital investments; the pay-back time, which is calculated as the ratio of the capital investments to the amount of increase of the profit, which is obtained due to these investments, and others. These recommendations, in our opinion, are the result of the use of different scientific stands and methodological approaches to the solution of the main question of the problem: how to determine the economic impact or level of effectiveness of the use of the given amount of the capital investments being allocated for the implementation of one measure or another.

The question of using a system of plan indicators for the evaluation of effectiveness is discussed in the scientific literature. Its use makes it possible to pursue a comprehensive approach, to analyze and characterize various aspects of the economic operations of the enterprise (association). At the same time the use of a system of indicators for evaluating the effectiveness of productive capital or capital investments does not make it possible, in our opinion, to obtain an unequivocal answer to the above-indicated main question of the problem. It is a matter not of the fact that it is necessary to take into account some specific features, additional factors and conditions, but of the elaboration of a fundamental approach--of the selection of a criterion and a method of such an evaluation. In our opinion, a strictly defined indicator, the economic content, functional role and purpose of which would correspond exactly to the solution of the raised problem, is needed for this.

It is indisputable that such a generalizing indicator should not be absolutized and contrasted to the system of plan indicators. The essence of the problem is not to find a general, universal indicator which is suitable for the solution of any problems on the determination of the cost effectiveness of social production. On the contrary, our task is to substantiate the objective necessity and possibility of using a single scientific concept, a single methodological approach and criterion for the solution of the above-indicated question of this problem.

One of the most significant drawbacks of the recommendations contained in economic literature consists in the fact that the proposed methods for determining the cost effectiveness of capital investments, in our opinion, so far have not been linked fundamentally with the evaluation of the effectiveness of the use of productive capital, with the task of increasing the effectiveness of the basic industrial activity of enterprises, associations and sectors of industry.

From the standpoint of the solution of the problem of increasing the effectiveness of capital investments the quality and effectiveness of the design decisions being made, their estimated cost, the quality of the construction and installation work being performed, the technical level and efficiency of the technological equipment being installed and so on are of substantial importance.

When elaborating versions of the design decisions and formulating the long-range (five-year) plans of the capital investments of associations (sectors) the question arises of their economic substantiation, of the direction and most effective use of the corresponding financial and credit resources. In this case one of the most urgent questions is the question: Does the implementation of the measures being planned lead to an increase or a decrease of the achieved level of efficiency of basic industrial production in the corresponding association or sector? The point is that not every plan of the retooling, renovation and expansion of enterprises (associations) provides the national economy with a great economic impact. The selection, evaluation, economic substantiation and recommendation for practical implementation of those plans which, other things being equal, ensure the maximum possible increase of the level of efficiency of basic industrial production, are therefore necessary.

The opinion that capital construction is distinguished from industrial production and any other sector solely by the unique nature of the use value of the commodity production (the buildings, structures and so on being erected), as well as by the special nature of the technology of construction production and labor, has become widespread in economic literature. Here the economic role of capital construction in the system of expanded reproduction, in point of fact, is identified with the role of any other sector of industry, that is, it is regarded only as a special sphere in the system of the social division of labor. On the basis of such notions for the evaluation of the effectiveness of the capital construction being performed by construction and installation organizations, as for industrial enterprises and associations, it is recommended to use the indicator of the profit, which is calculated as the difference between the estimated cost of the performed construction and installation work and the actual expenditures. Such a notion under the conditions of the implementation of the adopted decisions on the improvement of the economic mechanism is, in our opinion, insufficiently complete and does not reflect the essence of the process taking place.

In substantiating the method of evaluating the effectiveness of capital investments we proceed from the theory of accumulation and expanded socialist reproduction. From this point of view the essence of the process of socialist accumulation and all expanded reproduction consists not in the peculiarities of the use value of the commodity production which is created in the sphere of capital construction, but in how a portion of the created value of the surplus product is transformed into new additional productive capital which, with the creation of the necessary conditions, functions alongside the previously operating capital. Such a transformation is accomplished not in the sphere of industrial production, more precisely, not in the process of the turnover of productive capital, but outside it--in capital construction. The latter functions as a means of expanded reproduction. This is the main function of capital construction.

On the other hand, if the process of socialist accumulation is examined in pure form, that is, if we divert our attention from the value of the surplus product which is created by the collectives of construction and installation organizations, and it is presumed that the process of capital construction occurs as a one-time act which does not require expenditures of living labor, in this case the creation of the value of the surplus product and the formation of the accumulation fund, for example, in the form of deductions from the total, gross profit (net income) occur in the process of the turnover of productive capital and the distribution of the profit (net income). With respect to the process of accumulation and expanded reproduction as a whole the very process of the turnover of productive capital functions as its basis.

In this connection it would be incorrect, in our opinion, to assert that in the process of basic industrial activity the fixed production capital or its active part--machine tools, machines, means of transportation and so on--is also created. These are means of production, the commodity production of the corresponding enterprises (associations), and not fixed production capital. They become this in the process of expanded reproduction, in the second phase of the process of accumulation--in the performance of capital construction.

Let us now examine the most general case of capital construction, when expenditures of the labor of the collectives of the corresponding construction and installation organizations are necessary for transforming a specific amount of the accumulation fund into fixed production capital. In this case a value, in which the labor of collectives of construction, installation, planning and surveying, scientific research, experimental design and other organizations is embodied, is created in the process of capital construction. But if the value of the consumed material resources and the wage fund of the corresponding collectives are materialized in the fixed production capital, the question arises: What becomes of the value of the surplus product, which was created by them, how is it manifested? One must not think, in our opinion, that it takes the form of the profit, which was obtained in the process of capital construction and is calculated as the difference between the estimated cost of the performed amount of construction and installation work and the expenditures actually made.

This profit, it seems to us, indicates only the economy of capital investments, which expresses far from completely the economic impact which can be achieved from the creation and placement into operation of new productive capital. The main impact takes the form of the additional increase of the total amount of profit and

the level of profitability of basic industrial production, which is obtained as a result of the use of improved equipment, advanced technology and production organization, with respect to the average level of profitability, which was achieved at the association or in the sector prior to the placement of the corresponding productive capital into operation.

Of course, the service of the industrial personnel of the given enterprise (association), who are directly engaged in production, is also contained in the increase of the total amount of profit and the level of profitability of basic production. However, as a whole it should be admitted that the possibilities of increasing the level of profitability of basic industrial production by the use of the corresponding reserves in the process of the designing, location, planning and performance of capital construction are incomparably more extensive than by means of reserves under the conditions of operating production, especially after the placement into operation and assimilation of the rated capacity of the enterprise (association).

Two important practical conclusions follow from this theoretical position. First, for the evaluation of both the actual effectiveness of capital investments and in the selection and economic substantiation of the design and planning decisions being made in the process of designing and long-range planning it seems expedient to use the indicators of the increase of the total amount of the profit (net income) and the level of profitability of the enterprise (association):

$$\Delta \Pi_0 = \Pi''_0 - \Pi'_0; \quad (1)$$

$$\Delta P_0 = P''_0 - P'_0, \quad (2)$$

where Π'_0 and Π''_0 are the total amount of the profit of the enterprise (association), which was obtained before and after the implementation of the planned measure;

P'_0 and P''_0 are the profitability of the enterprise (association), its level before and after the implementation of the planned measure.

Second, the profit, which was obtained in the sphere of construction production and is calculated as the difference between the estimated cost of the performed construction and installation work and the expenditures actually made, should be excluded from the value of the fixed production capital being put into operation. Such a measure, in our opinion, would make it possible to reflect more correctly the real economic process and the role of capital construction in the process of expanded reproduction and would promote the solution of the problem of increasing the level of profitability of basic industrial production.

In our opinion, the use of the indicator of the payback period of the capital investments, which is calculated at the ratio of the amount of capital investments (K) to the amount of increase of the profit ($\Delta \Pi_0$), which was obtained by means of the capital investments, that is,

$$T_{OK} = \frac{K}{\Delta \Pi_0}, \quad (3)$$

does not conform to the above-indicated position and the conditions of the use of the indicators of the increase of the level of profitability and the total payback period of the capital investments.

The practical testing of this formula, which is recommended in our economic literature for determining the effectiveness of capital investments, using the example of one of the production associations showed that with its use, first, a too high evaluation is obtained and, second, it is not connected with the evaluation of the efficiency of the main industrial activity of the enterprise (association).

In what way should the evaluation, selection and economic substantiation of the plans of the renovation, expansion or retooling of an enterprise be carried out?

Let us examine an arbitrary example. Let us assume that at one of the all-union industrial associations for the assurance of the desired increase of the output of commodity production of the given list and assortment there are two versions of the plan of the renovation and expansion of two enterprises with allowance made for the use of the most advantageous natural and economic conditions, as well as the use of an improved technology, processing method and organization of production (see Table 1).

Table 1

Technical and Economic Indicators of the Versions of the Renovation
and Expansion of Two Enterprises
(the data are arbitrary)

Name of indicators	Version No 1		Version No 2	
	before renovation	after renovation	before renovation	after renovation
Value of sold commodity production, millions of rubles	5.75	41.7	11.91	48.4
Production costs, millions of rubles	5.05	28.1	9.34	30.6
Expenditures per ruble of commodity production, rubles	0.880	0.674	0.799	0.632
Profit from sale of commodity production, millions of rubles	0.70	13.6	2.57	17.8
Total profit (net income) of enterprise, millions of rubles	0.51	13.6	2.32	17.8
Productive capital of enterprise, millions of rubles	6.27	32.07	8.03	34.87
including:				
a) fixed capital	5.00	23.6	4.10	22.64
b) working capital	1.27	8.47	3.93	12.23
Capital-output ration, rubles	0.917	1.3	1.48	1.39
Average rate of turnover of productive capital, turnovers per year	0.805	0.876	1.165	0.878
Profitability of output, percent	10.1	48.4	24.8	58.17
Profitability of enterprise, percent	8.14	42.41	28.9	51.05

As a result of the making of these checks of the renovation and expansion of the enterprises the production and sales volume of the commodity production at the first enterprise (version No 1) will increase by 35.95 million rubles and will be

41.7 million rubles; at the second enterprise (version No 2) it will increase accordingly by 36.49 million rubles and will be 48.4 million rubles. In the first case 28.8 million rubles of accumulations and in the second case 30.84 million rubles will be required for the implementation of these plans, of them in the first case 21.6 millions and in the second case 22.54 million rubles will be required for the financing of capital investments and the assurance of the placement into operation of fixed production capital and respectively 7.2 and 8.3 million rubles for the financing of the increase of working capital. The productive capital of the enterprise in the first case will increase from 6.27 to 32.07 million rubles, while in the second it will increase from 8.03 to 34.87 million rubles. The profitability of the first enterprise will come to 42.41 percent, or will increase 34.27 points; the profitability of the second enterprise will come to 51.05 percent, or will increase 22.15 points.

The data of Table 1 show that the achievement of a higher level of the cost effectiveness of the main industrial activity at the second enterprise is explained by the effect of two factors: first, by the achievement of a lower level of the production cost, or the expenditures per ruble of commodity production (at the second enterprise it is 0.632 ruble, or 0.042 ruble less than at the first enterprise); second, by the higher intensity of use of the productive capital (the output-capital ratio at the second enterprise after its renovation and expansion increases to 1.39 rubles per ruble of productive capital, or 0.09 ruble more than at the first enterprise).

Is it possible under these conditions to assert that the use of capital investments for the renovation and expansion of the second enterprise is economically more effective as compared with their use for the renovation and expansion of the first enterprise? The fact that the profitability of the second enterprise exceeds by 8.64 points the profitability of the first enterprise is not adequate grounds for such a conclusion, since a greater increase of the level of the profitability with respect to the situation which existed prior to the renovation of the enterprise is achieved in the first case. In order to take into account the influence of this factor it is necessary for the version of the design or planning decision to ensure the maximum possible increase of the level of profitability in the superior economic link--the industrial association or the sector as a whole, that is, for it to meet directly the requirement of the increase of the efficiency of basic production in the sector. For this purpose the technical and economic indicators of the compared versions of the design or planning decisions should be coordinated with the corresponding indicators of the industrial association. This requirement is assured by the calculation of the increase of the level of profitability of the industrial association (ΔP_{06}) from the implementation of the corresponding measure at one enterprise or another:

$$\Delta P_{06} = P''_{06} - P'_{06}, \quad (4)$$

where P'_{06} and P''_{06} are the profitability of the industrial association (or sector) before and after the implementation of the version of the design or planning decision and the use of the given amount of capital investments in the retooling, renovation, expansion or new construction of the enterprise.

The indicated requirement in many instances is decisive in the final adoption of a decision and the recommendation of the chosen version for practical use, for if among the versions being compared there is one which may have a slightly lower

evaluation of the effectiveness of the capital investments, which is calculated according to formula (2), but provides a greater increase of the level of profitability at the industrial association, which is calculated according to formula (4), it is unquestionable that precisely this version of the design or planning decision should also be recommended for practical implementation (see Table 2).

Table 2

**Calculation of the Effectiveness of Capital Investments in the Renovation
and Expansion of Two Enterprises
(the data are arbitrary)**

Name of indicators	Reference base of plan of all-union industrial association	Version No 1		Version No 2	
		Enterprise No 1	total for all-union industrial association	Enterprise No 2	total for all-union industrial association
Value of sold commodity production, millions of rubles	293.67	41.70	329.62	48.40	330.46
Production costs, millions of rubles	222.41	28.10	245.46	30.60	243.67
Expenditures per ruble of commodity production, rubles	0.757	0.674	0.745	0.632	0.737
Profit from sale of commodity production, millions of rubles	71.26	13.60	84.16	17.80	86.49
Total profit of enterprise, millions of rubles	70.62	13.60	83.71	17.80	86.10
Productive capital of enterprise, millions of rubles	148.32	32.07	174.12	34.87	175.16
including:					
a) fixed capital	120.78	23.60	139.38	22.64	139.32
b) working capital	27.54	8.47	34.74	12.23	35.84
Capital-output ratio, rubles	1.98	1.30	1.893	1.39	1.886
Average rate of turnover of productive capital, turnovers per year	1.50	0.876	1.41	0.878	1.39
Profitability of output, percent	31.7	48.4	34.10	58.17	35.33
Profitability of enterprise, percent	47.6	42.41	48.08	51.05	49.16
Increase of level of profitability of association, points			40.48		+1.56

The calculations which were made show that with the implementation of the first version the level of profitability for the association as a whole will be 48.08 percent, while with the renovation and expansion of the second enterprise it will be 49.16 percent, or 1.56 points higher than in the first case. On the basis of the presented data the conclusion should be drawn that the renovation and expansion of the second enterprise and the use of the corresponding amount of capital investments

are economically more effective than their use in the renovation and expansion of the first enterprise, for in the second case the achievement of a higher level of profitability of the industrial association--the all-union industrial association--is ensured.

The need for the increase of the level of planning, the improvement of the methods of the evaluation of the effectiveness of capital investments and the substantiation of the design or planning decisions of the development of production is especially urgent under the conditions of the further development of cost accounting. From this standpoint the choice of the optimum version of the design or planning decision of retooling, renovation, expansion and new construction should be recognized as satisfactory only if the implementation of the outlined measures ensures the maximum possible increase under these conditions of the efficiency of basic industrial production at the enterprise, in the association and in the sector as a whole and makes it possible to make guaranteed payments, and in ever increasing amounts, from the profit to the budget and to the disposal of ministries and industrial associations.

In some cases the use of capital investments in renovation or retooling might not provide the enterprise with the proper impact, which ensures the increase of the cost effectiveness of basic industrial production in the corresponding association or sector, but the output by this enterprise of new products or the expansion of the products previously produced makes it possible for the consumer to obtain a considerable economic impact. In such cases one should emphasize the need for the creation of one of the important conditions which ensure the sound choice and economic substantiation of design or planning decisions: the requirement of the meeting of the demand, the fulfillment of the plan, contractual obligations and the delivery of products to consumers in the appropriate amount, in accordance with the products list, the assortment and quality and, consequently, when solving the problem of increasing production efficiency the placement into operation of the corresponding production capacities and fixed capital should be carried out first of all.

At the same time the wholesale factory (wholesale) prices for new types of commodity production or high quality products should stimulate their output at enterprises (producer associations).

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RESOURCE UTILIZATION AND SUPPLY

STATUTE ON DELIVERIES OF PRODUCTS FOR PRODUCTION ENGINEERING REVIEWED

Moscow KHOZYAYSTVO I PRAVO in Russian No 7, Jul 81 pp 71-75

Article by Doctor of Legal Sciences I. Tanchuk: "What Is New in the Conclusion, Change and Cancellation of Contracts in the Statute on Deliveries of Products"; see JPRS 78593, 24 July 1981, No 973 of this series, pp 30-68/

Text In the new Statute on Deliveries of Products for Production Engineering¹ there is singled out (as was also the case previously) a special section devoted to the procedure and dates of the conclusion, change and cancellation of contracts. In it the former norms, which have proved their effectiveness, are retained, and new rules, which have formed in economic practice or are prompted by it, are also formulated.

The structure of contractual relations/ [in boldface] determines between whom contracts are concluded. The Statute (Paragraph 21) sanctions the efficient combination of contracts directly between the producer and consumer of products and contracts with the involvement of mediating links, which has been proven to be reliable by practice, and specifies the criteria of the choice of a specific version of the structure of contractual relations.

The sanctioning of the practice of the conclusion by territorial organs of USSR Gosnab of contracts for the organization of material and technical supply with production associations, enterprises, construction organizations and other main users is essentially new. It is stipulated that such a contract is concluded on the basis of the Statute on Deliveries (thereby it is included as a fundamental part in the system of norms on deliveries, but is not a delivery contract) and the model contract approved by USSR Gosnab and the USSR State Board of Arbitration (the prevailing model contract was approved by USSR Gosnab with the agreement of the USSR State Board of Arbitration on 15 April 1975).²

The right of consumers to conclude contracts for the realization of the allocated assets with supply and marketing organizations was stipulated in the old Statute. The new Statute does not mention this contract, since the right of consumers to transfer the realization of their assets to a supply and marketing organization

1. Hereafter the Statute.

2. BYULLESEN' NORMATIVNYKH AKTOV MINISTERSTV I VEDOMSTV SSSR, No 8, 1975, p 17.

has become a component of the new contract for the organization of material and technical supply. In those instances when the territorial organs of the system of USSR Gossnab assume in accordance with a contract the realization of the assets allocated to consumers, these organs conclude as buyers contracts with the producers (Paragraph 25 of the Statute).

The norms on contracts under which the parties are severally liable now apply not only to delivery contracts, but also to contracts for the organization of material and technical supply. This follows from the text of Paragraph 22 of the Statute and the title of the section, which covers all contracts, and not just delivery contracts, as was the case previously. The practice of using the progressive form of supply, in case of which the Gossnabs of the union republics and the main territorial administrations, when concluding contracts, involve as severally liable parties subordinate specialized and general-purpose supply and marketing organizations, is thereby legislatively sanctioned.

/The Terms of Contracts. The Methods of Arranging Contractual Relations/ [in bold-face]. The fundamental aim at the development of long-term contracts which are concluded for a 5-year period is sanctioned in the Statute. Such contracts are used without fail for the arrangement of the delivery of products through direct long-term and long-term economic ties, as well as for the arrangement of interrelations on the organization of material and technical supply. In other instances contracts can be concluded for a year or for another period (less and more than a year).

In the Statute it is now specified that the extension of the validity of a concluded contract for a new period is carried out on the dates specified for the conclusion of the contract.

The norms, which specify the methods of arranging contractual relations: the compilation of a single document which is signed by the parties, the exchange of letters and telegrams; the written confirmation by the supplier of the receipt of the order of the buyer; the acceptance of the order by the parties for filling, have been retained with editorial refinements and additions. The form of the order is approved by USSR Gossnab. The expression of the agreement of the parties to the establishment of contractual relations is common to all the methods. Such agreement, as a rule, should be expressed in written form. The expression of agreement in the form of silence, when the meaning of agreement to the establishment of contractual relations is imparted to the absence of objections, is allowed only in the case of the acceptance of an order for filling. The Statute (Paragraph 23) speaks of the acceptance by the parties of the order for filling precisely as a method of establishing contractual relations, and not of concluding a contract (as was the case previously). This is more accurate, since the order accepted for "filling is not turned into a contract, but "assumes the force of a contract," giving rise to obligatory relations on delivery, which are equivalent to contractual relations.

In the old Statute the submittal of an order to the buyers was interpreted as a stage of the conclusion of long-term contracts on the basis of the plans of long-term attachment. Now the procedure of concluding such contracts is different. The new Statute sanctioned that understanding of the order as a form of the contract, which formed in the practice of interrelations between the territorial organs of USSR Gossnab and the consumers.

The parties by mutual agreement can choose any of the indicated methods of arranging contractual relations, except for those instances when the Statute prescribes an imperatively specified method. Thus, the contract for the organization of material and technical supply is concluded in the form of a single document which is signed by the parties (Paragraph 26 of the Statute). If one of the parties instead of accepting an order for filling demands the drawing up of a single document which is signed by the supplier and the buyer, the other party does not have the right to reject this demand (Paragraph 29 of the Statute). Although this does not follow directly from the text of the Statute, with allowance made for the content of the long-term contract for the delivery of products through direct long-term economic ties it should be assumed that such a contract should be concluded by the drawing up of a single document which is signed by the parties.

/The Conditions of the Contract/ [In boldface]. The general list of conditions, which are included in the contract, has been enlarged negligibly as compared with the former Statute. Two items have been added: the forms of settlements and "the conditions which should be stipulated in conformity with legislation" (for example, in conformity with the Special Conditions of Delivery). The conditions of the contract should ensure the precise and complete regulation of the interrelations of the parties. As the need arises the parties can stipulate additional conditions which specify the characteristics of their interrelations. However, conditions which repeat the text of the Statutes on Deliveries, the Special Conditions of Delivery and other enforceable enactments should not be included in the text of the contract (see Paragraph 3 of Instructional Letter No I-1-26 of the USSR State Board of Arbitration of 31 October 1975). Such repetition is unnecessary, since such conditions, if they are specified by the imperative norms, regulate the relations of the parties regardless of inclusion in the text of the contract.

The regulation of the conditions of long-term contracts is new in the Statute. In addition to the conditions necessary for the conventional delivery contract, according to the Statute, additional conditions should be contained in the long-term contract for the delivery of products through long-term economic ties. They specify the obligations of the parties on the enlargement of the products list (assortment), the increase of the quality and technical and economic indicators of the products during the period of validity of the contract; on the rendering of technical assistance in the process of producing and using new types of products, adjusting, readying or performing advisory installation work; on the introduction and use of advanced types of packaging materials, packing and transportation of products, as well as other obligations which follow from the long-term cooperation of the parties. The Statute does not order their inclusion in the long-term contract for the delivery of products through long-term (but not direct) economic ties. In essence this is the only appreciable difference in the legal regime of the two types of the long-term delivery contract. However, the parties have the right (this follows from Subparagraph G of Paragraph 25 of the Statute) also to stipulate in the long-term contract for the delivery of products through long-term (not direct) economic ties conditions which follow from long-term cooperation. Conditions similar to those which are indicated for contracts through direct ties may also be among them.

The amount of products being delivered for the 5-year period (with a breakdown by years) in a group, as a rule, products list (assortment) is indicated in the long-term delivery contracts (through both direct and indirect ties). The detailed products list (assortment) is determined by the specification, the procedure and dates of the submittal of which for approval are stipulated in the contract.

In the long-term contract along with other guarantees one of the guarantees is especially singled out--the release on credit by the territorial supply organ of products to the consumer in accordance with the agreed on products list in those instances when the consumers have direct contractual relations for delivery with the producers and the latter break their obligations on delivery.

When concluding contracts under which the parties are severally liable, the parties need to take into account the additional demands on the content of such contracts, which have formed in arbitration practice. The contract under which the parties are severally liable should contain a list of all the severally liable parties with an indication of their names and the share of each one (in total terms or as a percentage of the total amount of the delivery), the types of products, their quality, the detailed assortment, the delivery dates, postal, telegraph, bank and transportation requisitions and other necessary data as applied to each severally liable party (see Paragraph 4 of the Instructional Letter of the USSR State Board of Arbitration of 31 October 1975). The contract for the organization of material and technical supply, under which the parties are severally liable, should contain the names of all the severally liable parties and the type of products, which is attached to them (metal products, chemical products and so on), and other data which are necessary for meeting the obligations according to the contract (see Paragraph 32 of the Instructional Letter of the USSR State Board of Arbitration of 31 October 1975).

The detailed list (assortment) of products to be delivered and the other conditions of the contract can be set forth in a special document--the specification, which is an integral part of the contract. If the parties use the specification as a form of the submittal of the conditions of the contract for approval, the procedure and dates of its submittal for approval and change should be specified in it. In the old Statute it was required to specify in the contract the procedure and dates only for the submittal of the specification for the subsequent delivery periods.

The regulations on the essential conditions of the contract, in the absence of which the contract is considered not to be concluded, are specified in a slightly different way. Such conditions as applied to long-term and other contracts were previously not distinguished in the Statute. Now the set of these conditions has become different. In the long-term contract for the delivery of products through direct long-term and long-term economic ties they are the conditions on the description, amount and group list (assortment) of products, in the contract for a year or a shorter period they are the conditions on the article of the delivery and the price. The article of the delivery is now characterized not only by the description, quantity and quality of the products (as before), but additionally by the products list (assortment). In contrast to the former Statute the dates of delivery are not indicated among the conditions, in the absence of which the contract is considered not to be concluded.

/The Dates and Procedure of the Conclusion of the Contract/ [In boldface]. Previously they were differentiated subject to the type of planning document for delivery (the order or the plan of long-term attachment). In the new Statute there is no such dependence, the differences are connected with the type of contract and the method of arranging the contractual relations. The general rule is that the suggestion to conclude a contract for the delivery of products, which are distributed in accordance with a plan, originates with the supplier, if the contract is

concluded by the drawing up of a single document or by the exchange of letters and telegrams, or with the buyer, if the form of the acceptance of the order of the buyer is used.

The supplier no later than 20 days after the receipt of any planning document for the delivery of products (both the order and the plan of long-term attachment) should send the buyer a signed draft of the contract in duplicate or a letter or telegram with a proposal on the establishment of contractual relations. Another procedure may be stipulated in the special delivery conditions: the buyer sends a draft of the contract to the supplier. The former regulation that if for the conclusion of the contract the presentation by the buyer of the specification with the performance capabilities or the detailed list (assortment) of products is required, such a specification is sent out during the 10-day period after the receipt of the planning document for delivery, if a different period is not established by the Special Conditions of Delivery, has been retained. In these instances the supplier within 10 days after the receipt of the specification sends the buyer a draft of the contract.

When concluding a contract in the form of the confirmation of the acceptance of the order of the buyer the latter presents the supplier with the order in duplicate within a 10-day period after receipt of notification on the allocation of the assets and, in suitable instances, the planning documents. A different date of the presentation of orders may be stipulated in the Special Conditions of Delivery.

A new norm, which regulates the procedure of concluding contracts for the organization of material and technical supply, is included in the Statute. The territorial organs of USSR Gosnab send to consumers a draft of such contracts no later than 3 months prior to the start of the period for which the contract is being concluded.

The procedure and dates of the acceptance of the proposal to conclude a contract have been changed slightly. They differ subject to the form and length of the contract. The general period for the acceptance of the proposal to conclude a contract in the form of a single document or the exchange of letters and telegrams is 10 days from the time of receipt of the proposal. For all long-term contracts concluded in the form of a single document signed by the parties it is 20 days from the time of receipt of the draft of the contract. It should be assumed that this procedure is applied to all the long-term contracts which are indicated in the Statute (delivery contracts, contracts for the organization of material and technical supply, for the organization of the supply of the national economy with products).

At present only one method is stipulated for the confirmation by the supplier of the acceptance of the order of the buyer--the signing of the order and the return of one copy to the buyer (previously confirmation by letter or telegram was also stipulated). Moreover, the date for confirmation is set at 30 days prior to the start of the period for which the order has been presented (previously this date was calculated from the time of receipt of the order).

Only one addition has been made to the procedure of accepting an order for filling: the party, which wishes instead of accepting the order to conclude a contract in the form of a single document signed by the parties, sends a draft of the contract within a 10-day period after receipt of the order or a notice from the organ which issued the order on the confirmation of the order.

/The Settlement of Disputes Which Arise When Concluding Agreements/ **In boldface**. Such disputes can be connected with evasion of the conclusion of a contract or with differences on the conditions of the contract being concluded. Their settlement is within the competence of the board of arbitration in conformity with the established subordination.

In accordance with the general rule the parties are obliged to conclude a contract which is based on a planning document. According to Paragraph 17 of the Instructional Letter of the USSR State Board of Arbitration of 31 October 1975, if one of the parties evades the conclusion of a delivery contract which is based on a plan assignment obligatory for both parties, the other party can apply to the board of arbitration to compel the conclusion of a contract prior to the expiration of the period of validity of the assets. However, one should take into account the different degree of obligatoriness of the plan assignment for the supplier and buyer (see Paragraphs 15 and 16 of the Statute). The refusal of the buyer to conclude a contract does not require confirmation on the part of planning organs. The board of arbitration does not have the right to compel the buyer to conclude a contract even when such a refusal was given in violation of the established procedure and dates (see Paragraph 21 of Instructional Letter No I-1-26 of the USSR State Board of Arbitration of 31 October 1975).

The procedure of settling differences on the conditions of the contract in principle has remained the same. The new things reduce to the following. A different period for the drawing up of the report of the differences and the sending of it to the other party has been established: in the case of the conclusion of a long-term contract it is 20 days and in the case of the conclusion of other contracts it is 10 days. The drawing up of a report of the differences is now not called for when establishing contractual relations in the form of an order. Instead, the supplier in the period stipulated for the signing of the order of the buyer writes down his objections and the reasons for the objections on the written order, which is returned to the buyer. The legal significance of such actions is equivalent to the drawing up of a report of the differences. Therefore, the buyer should refer to the board of arbitration the unsettled differences on the order within the general times established for the referral to the board of arbitration of moot issues on the report of the differences (20 days after receipt). The Statute indicates two specific instances when it is necessary to review the report of the differences jointly with the other party: if the parties are in the same locality or a long-term contract is being concluded. Before settling the differences on the contract the supplier is obligated (previously it was "has the right") to supply products in the amount and according to the list (assortment), which have been approved by the buyer.

Disputes which arise when concluding contracts not based on a plan assignment obligatory for both parties, if a different assignment is not stipulated in the legislation or by an agreement of the parties, are not within the jurisdiction of the board of arbitration (Article 9 of the Rules of the Consideration of Economic Disputes). The Statute stipulates such exceptions for disputes which arise when concluding contracts for the organization of material and technical supply and contracts for the delivery of products which are being sold by the supplier at his own discretion.

The contract for the organization of material and technical supply is not based on a plan assignment obligatory for the parties, while prior to the present Statute on Deliveries the corresponding exception to the general rule was not stipulated. The

obligation of territorial organs to conclude such a contract with the main consumers was established by an order of USSR Gosznam. The USSR State Board of Arbitration (Paragraphs 30 and 31 of Instructional Letter No I-1-26 of 31 October 1975) issued instructions to the organs of the board of arbitration to consider the disputes which arise when concluding the indicated contract, except for differences on a number of issues (the list in accordance with which the release of products on credit to the consumer is guaranteed; the transfer by the consumer to the party of the contract of a portion of the planned stocks and the working capital being released, the wage fund, the maximum allocations for the pay of the managerial staff). In the new Statute (Paragraph 30) it is stipulated that in case of the occurrence of a dispute, which is connected with the conclusion of a contract for the organization of material and technical supply (including in case of the evasion of the conclusion of a contract), the concerned party has the right to refer such a dispute to the board of arbitration for settlement. From this statement, it seems, the following conclusions follow:

both the consumer and the territorial organ can sue to compel the conclusion of a contract;

all the differences on the contract can be referred to the board of arbitration for consideration in conformity with the jurisdiction of the economic disputes. The exceptions to this jurisdiction do not cover the disputes which were discussed in the mentioned Instructional Letter of the USSR State Board of Arbitration. However, it is necessary to consider that, in accordance with the Model Contract for the Organization of Material and Technical Supply, the very transfer of working capital, the wage fund and the maximum allocations for the pay of the managerial staff is arranged by the superior organs of the parties in accordance with established procedure.

The question of disputes when concluding contracts for the delivery of products which are being sold by the supplier at his own discretion is settled in the Statute (Paragraph 28) in the following manner. The differences on the conditions of such a contract can be referred to the board of arbitration for consideration by the supplier or the buyer if:

the parties have reached agreement on the quantity, products list (assortment) and delivery dates or in the agreement of the parties it is stipulated that the differences can be referred to the board of arbitration for settlement regardless of the achievement of agreement on these conditions. In the case of established long-term economic ties between the parties the buyer is granted the right to refer to the board of arbitration the dispute connected with the evasion by the supplier of the conclusion of a contract (this was also the case previously) and the dispute on all the conditions of such a contract (this is a new thing).

It should be taken into account that in case of the violation of the deadline for the referral of differences to the board of arbitration the latter refuses to accept the application, since the contract has entered into force in the wording proposed by the other party. If the violation of the deadline is detected at the meeting of the board of arbitration, the proceedings are liable to dismissal (Paragraph 13 of Instructional Letter I-1-26 of the USSR State Board of Arbitration of 31 October 1975). Arbitration practice is based on the fact that in these instances the concerned party has the right to raise the question of changing the contract on common grounds.

/The Change and Cancellation of a Contract/ [in boldface]. While retaining the former regulations on the change and cancellation of a contract, the Statute (Paragraph 31) introduced for two cases a simplified procedure which is based on the use of the method of tacit agreement (acceptance). In the first case the contract for the delivery of products which are distributed according to a plan is considered changed or cancelled, if within 10 days after the receipt of notification on the change or cancellation of the planning document for the delivery none of the parties has declared to the other party, the fund-holder or the organ which issued the notification its disagreement with the change or the cancellation of the planning document. In the second case the organization of material and technical supply, which monitors the state of stocks of material resources at economic organs, upon ascertaining that the buyer has above-standard or excess products can send the buyer and the fund-holder notification on the corresponding decrease of the amount of products being delivered or the change of their delivery date. If the buyer within a 10-day period after receipt of the notification does not report its objections to the other party, the contract is considered changed or cancelled.

In the first case the contract is changed (cancelled) as a result of the tacit acceptance by both parties for fulfillment of a new planning document, which changes (cancels) the initial one, in conformity with which the contract was concluded. The organ which issued the initial document has the right to issue such a document (Paragraphs 9 and 14 of the Statute). In the second case the contract is changed (cancelled) as a result of the tacit agreement of the buyer with the proposal of the party of the contract, who has been given the right to monitor and regulate the state of the physical stocks of the consumer. Such a right has been granted to the territorial organs of USSR Gosnab, in particular, by the Statute on the Procedure of the Sale of Above-Standard, Surplus and Unused Physical Assets (Paragraphs 5 and 9).³ In accordance with this Statute, the territorial organs regulate in accordance with established procedure the dates and the amount of products to be delivered with allowance made for the availability at them of above-standard reserves of commodity stocks and the assets allocated to them. The Statute indicates one of the versions of "established procedure," which is used within the contractual relations of territorial organs with consumers.

By its legal nature, intent and importance the simplified method of changing (canceling) a contract in case of the change (cancellation) of the plan assignment is similar to the acceptance of an order for filling when establishing contractual relations. Therefore it should be assumed that in the case of the use of the simplified method of changing an obligation it is necessary to take into account the conditions which are stipulated for the simplified method of establishing the obligation. In particular, a simplified change of a contract is possible in those instances when the notification on the change of the planning document contains all the necessary data and does not require additional approval of the changes being made in the contract, for example, on the detailed products list (assortment). In practice the question has arisen: Do the parties have the right to stipulate in the contract that the changes in it on the basis of a change of the plan assignment are made by positive (and not tacit) command, for example, by the approval of the specification? It seems that it is possible to answer this question affirmatively. The Statute on Deliveries establishes the general and simplified methods for the establishment and change of contractual relations, without prohibiting the parties

3. BYULLESEN' NORMATIVNYKH AKTOV MINISTERSTV I VEDOMSTV SSSR, No 4, 1978, p 3.

in accordance with a mutual understanding from using the general method instead of the simplified method. Moreover, the obligatoriness of the use of the general method of establishing contractual relations is stipulated, if one of the parties desires this in case of the receipt of a specified order. What is expedient in the case of the establishment of contractual relations, is no less expedient in case of their change. It would be useful for the USSR State Board of Arbitration to give the appropriate clarifications and recommendations on this question.

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REGIONAL DEVELOPMENT

DEVELOPMENT OF YUZHNO-YAKUTSK TERRITORIAL PRODUCTION COMPLEX DETAILED

Leningrad LENINGRADSKAYA PRAVDA in Russian 20 Sep 81 p 1

[Article by V. Vlasov, candidate of economic sciences: "Under Severe Northern Conditions"]

[Text] In the zone of the economic development of BAM [Baykal-Amur Trunk Line, which occupies a territory of 1.6 million square kilometers, the plans call for the creation of a minimum of ten TPK's [territorial'nye proizvodstvennye kompleks; territorial-production complex]. The first and one of the largest of them is the Yuzhno-Yakutsk TPK. Its formation commenced during the Tenth Five-Year Plan and it will take place in several stages.

The southern part of the Yakutskaya ASSR is characterized by severe climatic conditions, an almost impassable mountainous relief, a most insidious and so-called "inert" permafrost and also by considerable seismic activity. But it is precisely here that there is a high concentration of diverse minerals -- coal, iron, apatite, mica and an extensive group of non-metallic deposits. These are the factors which predetermined the creation of the TPK.

The Neryungri Coal Mine, an enrichment factory and a thermal electric power station are being built based upon the availability of coking coal, the predicted supplies of which exceed 40 billion tons. All of these principal projects and also the 400 kilometer Malyy BAM railroad line are part of the first phase of the TPK. More than 50 Japanese firms are participating in the erection of these facilities on a compensatory basis. On the basis of a general contract concluded in 1974, they supply the machines, equipment, materials and so forth. The repayment of credit will be carried out over a period of a number of years through the delivery of Yuzhno-Yakutsk coking coal to Japan.

By the end of the Eleventh Five-Year Plan, the Neryungri Coal Mine will be procuring 13 million tons of coal annually, with use being made of the open-cut mining method. Towards this end, it will be necessary to remove and ship approximately 230 million cubic meters of material from this unique coal bed, the thickness of which is in the neighborhood of 75 meters. These tremendous volumes require special

equipment -- large capacity dump trucks, excavators, drilling machines adapted for operation under the extreme conditions found in the north. Naturally, a great amount of reliance is being placed upon the use of more rugged domestic equipment, despite the availability of imported equipment. In particular, here they have commenced using leading models of 20 cubic meter capacity excavators produced by the Ural'sk Plant for Heavy Machine Building and also 120 ton domestic coal carriers.

At the present time, the third millionth ton of coal is being shipped over the railroad branch Ugol'naya - Berkakit - Tynda - BAM, which connects southern Yakutiya with the Trans-Siberian Railroad. And this means that the money invested in the first phase of the TPK is already beginning to be repaid even prior to the completion of construction of the first phase of the TPK. With the placing in operation of the enrichment factory for the processing of 9 million tons of coal annually, the deliveries of coke concentrate to Japan will commence through the port of Vostochnyy on the shore of the Pacific Ocean.

The second stage in the formation of the Yuzhno-Yakutsk TPK is associated with the attraction into national economic use of the iron ore deposits located 90-100 kilometers from the coal deposits. Such a combination of minerals is creating the prerequisites for the establishment in this region of a large metallurgical combine. The "Basic Directions for the Economic and Social Development of the USSR During the 1981-1985 Period and for the Period Up To 1990" calls for the development of a technical-economic basis for mastering the iron ore deposit in southern Yakutiya and also for continuing the railroad farther to the north -- to Tommot and Yakutsk.

The creation within the framework of the Yuzhno-Yakutsk TPK of coal-metallurgical branches of industry will ensure the possibility in the future of furnishing up to 150 million tons of coking coal, up to 100 million tons of crude ore and 35 million tons of steel annually and this makes this complex one of the largest in the country.

The potential of the TPK does not end here. Deposits of mica, marble granite which have already been worked are designated on its geological map. When the railroad reaches the city of Aldan -- the oldest industrial terminal of the complex -- the exploitation of the rich deposit of apatite, located in the vicinity of Seligdar Settlement, will commence. The creation of a large combine for the production of mineral fertilizers will serve to make such materials available for agriculture in Siberia and the Far East.

Southern Yakutiya is rich in timber. The specialists estimate the overall supplies of workable wood in this region to be in excess of 2 billion cubic meters, including wood suitable for processing -- 1.7 billion cubic meters. The development of natural resources, under the stern conditions found in the northern region, involves many difficulties and particularly the absence of reliable transport contacts. Moreover, the creation of a TPK in the north is considerably more expensive than those located in more inhabited regions of the country, for here it is necessary to create all of the conditions required for normal work, life and recreation in completely uninhabited areas. But the state is accepting these expenditures.

The modern city of Neryungri, which will have a population of 100,000, is being built in the taiga for the workers attached to the Yuzhno-Yakutsk TPK. A large-panel housing construction plant and a number of other construction industry enterprises are already in operation here. The Serebryanyy Bor Settlement sprang up within a short period of time. It is here that the builders of the Neryungri GRES have settled. Other settlements of the complex -- Chul'man, Berkakit and Zolotinka -- are being expanded and improved upon.

The large-scale development of natural resources requires a completely new approach if the natural conditions found in the northern regions are to be properly protected. The works of scientists and the plans of enterprises call for the creation of non-waste product production efforts having closed cycles for water consumption, the recultivation of land and the creation of artificial water areas in exploited open-cut mines.

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